

Mary Nichols, Chairman  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

November 20, 2009

Dear Chairwoman Nichols and Members of the California Air Resources Board:

On behalf of the undersigned companies, we are submitting comments on an important issue raised in the Proposed Concept Outline for the California Renewable Electricity Standard (RES).

We strongly support expanding the current Renewable Portfolio Standard target to 33%. Increasing the target will expand the market for solar energy, increase California's energy security and grow the state's economy through job creation and long-term energy price predictability. While we are supportive of the overall Proposed Concept Outline, we are concerned about the treatment of customer-owned distributed generation renewable energy credits (RECs).

***Owners of unbundled, in-state RECs from net metered facilities should have the option to sell their RECs into the utility compliance market.***

In early 2007, the California Public Utilities Commission (CPUC) decided Californians that voluntarily install solar systems on their homes and businesses own the RECs associated with the electricity generated from their solar system. While many of these solar customers will choose to retire their RECs and make carbon or renewable energy claims, these customers should also have the right to sell their RECs to an investor owned utility to help offset the cost of the purchase of their system. As noted by the CPUC:

*If renewable DG system owners retain the RECs, then, system owners would have the option of selling their RECs into the compliance market, thereby enhancing the economics of renewable DG, if and when the Commission adopts an unbundled REC regime for RPS compliance.<sup>1</sup>*

Any policies made in the RES should continue to support this policy and we urge the Air Resources Board to carefully consider whether excluding installed net-metered system from the RES obligation strips the customers of their right to sell

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<sup>1</sup> Finding of Fact #15, California Public Utilities Commission, Decision 07-01-018, January 11, 2007 in Rulemaking 06-03-004, Order Instituting Rulemaking Regarding Policies, Procedures and Rules for California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues. Opinion Adopting Methods to Determine the Renewable Energy Credits from Renewable Distributed Generation.

their RECs in the compliance market. The Air Resources Board should either take a different approach to the way it is counting customer-owned, net metered systems or explicitly allow for the RECs from these systems to be used in the utility compliance market.

Net-metered solar systems are a special category of renewable energy facilities. They are sized to meet all or part of a customer's on-site load. In effect, solar systems act similarly to energy efficiency measures, reducing both the amount of electricity delivered by a Load Serving Entity and the Load Serving Entity's total RES obligation. As solar incentive payments, such as the CSI, are reduced, customers will be increasingly reliant on RECs to support their project economics. Additionally, many of the solar systems installed today relied on the CPUC's Rulemaking in 06-03-004 and assumed that they would be able to later sell their RECs in the compliance market to recoup a portion of their costs. Adopting the 33% RSP standard should not punish these early adopters.

Thank you for the opportunity to submit these comments.

Respectfully submitted,

/s/ Genevieve Nowicki  
**Solar Power Partners**

/s/Joe Henri  
Director, Regulatory Affairs  
**SunEdison**

/s/ Judy Staley  
Director of Legislative Affairs  
**Mainstream Energy Corporation and REC Solar, Inc.**

/s/ David Katz  
**AEE Solar, Inc.**

/s/ Andrew Johnson  
Manager, Government Relations  
Sharp Electronics Corporation